THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of The Clean Air Strategic Alliance Association

We have audited the accompanying financial statements of The Clean Air Strategic Alliance Association, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Clean Air Strategic Alliance Association as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Hawkings Epp Dumont LLP

Edmonton, Alberta
February 14, 2017

Hawkings Epp Dumont LLP
Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Clean Air Strategic Alliance Association is responsible for the preparation of these financial statements and is responsible for their reliability, completeness and integrity. They conform, in all material respects, to Canadian accounting standards for not-for-profit organizations.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The external auditors, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The Executive Director reviewed these financial statements with the external auditors in detail before recommending their approval to the Board.

Edmonton, Alberta
February 14, 2017

Keith Denman
Executive Director

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Core	External Projects	**2016**	2015
ASSETS				
CURRENT				
Cash and cash equivalents *(Note 2)*	$ 881,787	$ 283,491	**$1,165,278**	$ 947,438
Accounts receivable *(Note 3)*	11,550	-	**11,550**	4,866
Prepaid expenses	5,789	-	**5,789**	4,424
	899,126	283,491	**1,182,617**	956,728
TANGIBLE CAPITAL ASSETS *(Note 4)*	1,538	-	**1,538**	2,196
INTANGIBLE ASSETS *(Note 5)*	4,503	-	**4,503**	6,433
	$ 905,167	$ 283,491	**$1,188,658**	$ 965,357
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 36,477	$ -	**$ 36,477**	$ 28,211
Deferred contributions *(Note 6)*	482,249	269,008	**751,257**	533,633
	518,726	269,008	**787,734**	561,844
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL AND INTANGIBLE ASSETS *(Note 7)*	6,039	-	**6,039**	8,628
	524,765	269,008	**793,773**	570,472
FUND BALANCES				
Internally restricted *(Note 1 (b), 8)*	228,831	13,524	**242,355**	242,355
Unrestricted (available for operations)	151,571	959	**152,530**	152,530
	380,402	14,483	**394,885**	394,885
	$ 905,167	$ 283,491	**$1,188,658**	$ 965,357

ON BEHALF OF THE BOARD:

_______________ Director

_______________ Director

The accompanying notes are an integral part of these financial statements.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Core	External Projects	**2016**	2015
REVENUE				
Grants *(Note 6)*	$ 645,272	$ 12,104	**$ 657,376**	$ 951,795
Interest	12,579	123	**12,702**	11,620
Amortization of deferred contributions - tangible capital assets and intangible assets *(Note 7)*	2,589	-	**2,589**	34,084
Other income	-	-	**-**	1,072
	660,440	12,227	**672,667**	998,571
EXPENSES *(Schedule 1)*				
General and administrative	264,340	-	**264,340**	290,222
Projects	224,714	-	**224,714**	381,766
Board support	95,202	-	**95,202**	107,185
Communications	67,840	-	**67,840**	42,663
External projects	-	12,227	**12,227**	167,688
Other	8,344	-	**8,344**	7,847
	660,440	12,227	**672,667**	997,371
EXCESS OF REVENUE OVER EXPENSES	-	-	**-**	1,200
FUND BALANCES, BEGINNING OF YEAR	380,402	14,483	**394,885**	393,685
FUND BALANCES, END OF YEAR	$ 380,402	$ 14,483	**$ 394,885**	$ 394,885

The accompanying notes are an integral part of these financial statements.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ -	$ 1,200
Items not affecting cash:		
Amortization of tangible capital assets	**659**	941
Amortization of intangible assets	**1,930**	2,757
Amortization of deferred contributions - tangible capital assets and intangible assets	**(2,589)**	(34,084)
Loss on disposal of tangible and intangible assets	**-**	29,186
	-	-
Change in non-cash working capital:		
Decrease in accounts receivable	**(6,684)**	27,316
Decrease in prepaid expenses	**(1,365)**	1,305
Increase in accounts payable and accrued liabilities	**8,265**	(39,842)
Increase (decrease) in deferred contributions	**217,624**	(926,795)
	217,840	(938,016)
INVESTING ACTIVITIES		
Proceeds on disposal of tangible capital assets	**-**	1,200
	-	1,200
INCREASE (DECREASE) IN CASH FLOW	**217,840**	(936,816)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**947,438**	1,884,254
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,165,278**	$ 947,438

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

PURPOSE OF THE ORGANIZATION

The Clean Air Strategic Alliance Association (the "Association") is a non-profit organization incorporated March 14, 1994 under the *Societies Act* of Alberta and is not taxable under the Canadian *Income Tax Act*. The Association is comprised of members from three distinct stakeholder categories: industry, government and non-government organizations. The Association has been given shared responsibility by its members for strategic air quality planning, organizing and coordination of resources, and evaluation of results in Alberta. In support of these objectives, the Association receives cash funding from the Province of Alberta as well as cash and in-kind support from other members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund Accounting

The Core Project Fund accounts for funds provided by governments together with interest earned that are used to support general operations. The Board of Directors has internally restricted accumulation of this fund to pay necessary expenses in the event of the wind down of the Association. The unrestricted portion of this fund consists of the undepreciated balance of property and equipment, entitled investment in property and equipment and the remainder of the fund entitled available for operations.

The External Projects Fund accounts for funds provided by Association stakeholders together with interest earned that are raised and expended by project teams for specific purposes.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments have a maturity of one year or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost less less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Association's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	Declining-balance	30%
Furniture and equipment	Declining-balance	30%

The Association regularly reviews its tangible capital assets to eliminate obsolete items.

(CONT'D)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible Assets

Intangible assets consist of computer application software and are recorded at cost. The computer application software is measured at cost less accumulated amortization. Amortization of computer application software is provided for on a declining balance basis at a rate of 30%.

(f) Contributed services

Association members contribute non-monetary support including staff resources, meeting space and publication support. Due to the difficulty in determining their fair value, contributed services are not reflected in these financial statements.

(g) Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include government grants. Restricted contributions are recognized as revenue during the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of tangible capital assets and intangible assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related tangible capital assets and intangible assets.

Registration fees are recognized as revenue in the year in which the related event has been provided.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

(h) Financial Instruments

Measurement of Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Association subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association has no financial instruments measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(CONT'D)

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization and the amount of accrued liabilities. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

2. CASH AND CASH EQUIVALENTS

	2016	2015
Guaranteed Investment Certificates	**$ 1,120,907**	$ 513,220
Operating accounts	**44,335**	249,932
Savings accounts	**36**	184,286
	$ 1,165,278	$ 947,438

Guaranteed Investment Certificates bear interest at rates ranging from 1.20% - 1.55% (2015 - 0.65% - 1.10%) and maturing between February 12, 2017 and November 27, 2017.

3. RECEIVABLES

	2016	2015
Accrued interest	**$ 8,828**	$ 2,539
Goods and Services Tax	**2,722**	2,132
Grants	**-**	195
	$ 11,550	$ 4,866

4. TANGIBLE CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	**2016**	2015
Computer equipment	$ 33,290	$ 32,430	**$ 860**	$ 1,228
Furniture and equipment	8,819	8,141	**678**	968
	$ 42,109	$ 40,571	**$ 1,538**	$ 2,196

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
Website	$ 21,892	$ 17,389	**$ 4,503**	$ 6,433

6. DEFERRED CONTRIBUTIONS

(a) Core Fund

During the year, the Association received grants totaling $850,000 (2015 - $NIL) from the Province of Alberta to cover the 2016 calendar year. The purpose of the grants is to provide core funding in support of the Association's objectives as detailed in Note 1. The Regulations to the *Department of the Environment Act*, the *Department of Energy Act*, the *Department of Health Act*, and the *Department of Agriculture and Food Act* under which the grants have been provided, specify that grants must either be used for the purposes specified in the grant, be used for different purposes if such different purposes are agreed to by the applicant and the respective Minister, or be returned to the Province of Alberta. Accordingly, in the event the Association does not utilize the funds in pursuit of its objectives, any unexpended grant monies remaining may have to be repaid to the Province of Alberta.

	2016	2015
Balance, Beginning of Year	**$ 277,521**	$ 1,091,031
Grants received and receivable during the year	**850,000**	-
Revenue recognized to cover expenses during the year	**(645,272)**	(813,510)
Balance, End of Year	**$ 482,249**	$ 277,521

(b) External Projects Fund

Deferred external project contributions are comprised of monies received for specific external projects, which have not been expended for the purposes specified in the mandates of the projects.

	2016	2015
Balance, Beginning of Year	**$ 256,112**	$ 369,397
Grants received and receivable during the year	**25,000**	25,000
Revenue recognized to cover expenses during the year	**(12,104)**	(138,285)
Balance, End of Year	**$ 269,008**	$ 256,112

7. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS AND INTANGIBLE ASSETS

Deferred contributions - tangible capital assets and intangible assets represent restricted contributions with which some of the Association's tangible capital assets and intangible assets was purchased. The changes in these contributions are as follows:

(a) Core Fund

	2016	2015
Balance, Beginning of Year	$ 8,628	$ 12,567
Revenue recognized to cover amortization during the year	(2,589)	(3,939)
Balance, End of Year	$ 6,039	$ 8,628

(b) External Projects Fund

	2016	2015
Balance, Beginning of Year	$ -	$ 30,145
Revenue recognized to cover expenses during the year	-	(30,145)
Balance, End of Year	$ -	$ -

8. INTERNALLY RESTRICTED

The Core fund balance of $228,831 (2015 - $228,831) has been restricted by the Board in the event of a wind down.

As a result of excess grant funding contributed to the Association's 20th Anniversary program the External Projects fund balance contains registration fees sold for this event. The fund balance of $13,524 has been internally restricted to assist with future expenses.

9. ECONOMIC DEPENDENCE

The Association's primary source of revenue is grants from the Province of Alberta. The Association's ability to continue viable operations is dependent on this funding.

10. FINANCIAL INSTRUMENTS

It is management's opinion that the Association is not exposed to significant interest, credit, market, currency, or other price risk through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2016.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect to its receipt of funds from the Government of Alberta and other related sources.

The Association mitigates this risk by monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

11. TRANSACTIONS WITH THE GOVERNMENT OF ALBERTA

The Government of Alberta provides office space to the Association at no charge.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION

Schedule 1

SCHEDULE OF EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) (Unaudited)	**2016 (Actual)**	2015 (Actual)
Supplies and Services			
Stakeholder honoraria	$ 71,591	**$ 46,615**	$ 40,937
Computer equipment	32,985	**27,096**	30,899
Travel	49,648	**23,340**	38,188
Meetings	24,228	**9,564**	15,899
Telecommunications	8,676	**6,050**	7,685
Insurance	4,605	**3,806**	3,806
Subscriptions	4,500	**3,159**	4,868
Office supplies	4,300	**2,714**	2,619
Printing	8,201	**2,201**	6,656
Amortization of intangible assets	-	**1,930**	2,757
Records storage	1,500	**1,405**	4,733
Bank charges	1,650	**1,346**	1,421
Amortization of tangible capital assets	4,000	**659**	941
Advertising	5,000	**97**	665
Loss on disposal of tangible and intangible capital assets	-	**-**	29,186
Courier	400	**-**	227
	221,284	**129,982**	191,487
Professional Fees			
Consulting	42,518	**77,825**	172,301
Audit and legal	14,130	**9,200**	11,018
	56,648	**87,025**	183,319
Human Resources			
Salaries and wages	453,587	**373,454**	530,548
Benefits	101,457	**77,355**	79,178
Staff development	6,000	**1,801**	7,574
Recruiting	3,000	**1,693**	2,175
Employee recognition	2,000	**1,307**	1,179
Memberships	175	**50**	-
Contracted services	6,000	**-**	1,911
	572,219	**455,660**	622,565
Total Expenses	$ 850,151	**$ 672,667**	$ 997,371

The accompanying notes are an integral part of these financial statements.